

**Interoffice
Memorandum**

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To: Rick Buy
Rick Causey

From: Jordan Mintz *Jordan*

Department: Enron Global Finance - Legal

Subject: **Private Placement Memorandum for "LJM3"**

Date: December 7, 2000

As you know, LJM has recently circulated a PPM regarding the formation of a new private equity fund, "LJM3 Co-Investment, L.P." (I believe they are planning to close in two weeks.) For the most part, its contents closely mimic that used for LJM2, but in many instances pare down its discussion of Enron. The recurring reference to the "linkage" between Enron and LJM, however, continues to be substantial. To that end and in light of Enron now having a "history" with LJM (albeit only a year or so), I thought it would be instructive to summarize some of the provisions of LJM3 that are relevant for Enron's purposes. (We also are reviewing the related draft LJM3 limited partnership agreement.)

In particular, I offer for your review and consideration:

- (1) Discussion of Investment Opportunity: This section describes why LJM3 is an attractive investment opportunity highlighting the following:
 - Access to Significant [Enron] Proprietary Deal Flow;
 - Enron's Capabilities to Analyze and Structure Investments and Operate Assets;
 - The Ability to Evaluate Investments with Full Knowledge of the Assets [Due to the Principals' Insider Status]; and
 - Speed and Knowledge Advantage of LJM3.
- (2) Investment Strategy: This section describes how LJM3 plans to capitalize on its aforementioned advantages highlighting the following:
 - Invests with Enron; and
 - Invests in Assets/Businesses where Enron retains an ongoing economic interest thus ensuring that LJM3 has access to Enron's significant resources to manage assets on an ongoing basis.
- (3) Dual Role Advantages: This section highlights the benefits investors should realize due to the dual roles played by Andy Fastow and Michael Kopper, thereby facilitating LJM3's access to Enron dealflow.

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- (4) Discussion of Conflict of Interest: Describes the steps Enron has taken to ensure that conflict-of-interest issues are appropriately addressed, including the review roles of Enron's Chief Accounting and Risk Officers, as well as that of the Enron Board's Finance and Audit Committees. The PPM further notes that "Enron's Office of the Chairman has waived certain provisions of Enron's employee code of conduct to permit the Principals to form and operate the Partnership and Enron's Board of Directors has ratified that waiver as it applies to Mr. Fastow". (It is my understanding from Rex Rogers that this description is not wholly accurate and we are considering providing modified language for inclusion in the PPM Supplement.)

One additional item worthy of mention regarding LJM3 is my understanding that a targeted investor is CalPERs.

There are a number of additional important issues involving LJM that we are currently addressing (with the assistance of Rex Rogers and Ron Astin). Such issues primarily relate to (i) our internal review of the processes and deal review/substantiation efforts regarding Enron/LJM transactions and (ii) proxy disclosure issues, including scope of information and mitigation alternatives.

I will keep you advised regarding material developments; in turn, please do not hesitate to contact me with any questions or comments you may have. I may be reached at x 37897.

cc: Rex Rogers
Ryan Siurek
Ron Astin (Vinson & Elkins)

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